GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:3875
ANSWERED ON:13.12.2002
NON-BANKING FINANCIAL COMPANIES
RAGHURAJ SINGH SHAKYA;SHYAMA SINGH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government propose to take any action against the non-banking financial companies which are carrying their business even after cancellation of their registration by RBI;

(b) if so, the details of these NBFC`s;

(c) whether the enforcement agencies have been asked to prevent operation of such companies in various States; and

(d) if so, by when such companies are likely to be wound up ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b) : The Reserve Bank of India (RBI) has initiated action against errant Non-Banking Financial Companies (NBFCs) for various defaults and contraventions of the provisions of RBI Act. The Bank has issued ordersprohibiting NBFCs whose applications for certificate of registration have been rejected from accepting further deposits and from alienation of assets except for repayment of the depositors. Their names are placed on Bank`s Website, intimated to the relative Registrars of Companies and the Economic Offences Wings of the State Government. Besides, the public is also notified through an advertisement in the leading newspapers about the rejection of the application of the company.

(c):- State Government have beenprovided with the State-wise lists of all rejected NBFCs by RBI with a request to invokethe provisions of Indian Penal Code against those conducting their business unauthorisedly in violation of the RBI Act.

(d):- The rejected companies have been directed to stop carrying on the business of an Non-Banking Financial institution, continue to repay the public deposits held, if any, as per the terms of their acceptance. Such companies have been directed to convert themselves into a non-financial company or dispose of their financial assets or seek voluntary winding up within a period of three years from the date of their rejection. In the Financial Companies Regulation Bill, 2000 which is presently beforethe Standing Committee on Finance, it has beenprovided that unauthorized conduct of financial business by an unregistered company would be a cognisable offence.